

## Message Text

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SUBJ: NEW SOCIAL SECURITY SCHEME FOR KOREA

1. ON SEPTEMBER 20, DEPUTY PRIME MINISTER TAE WAN-SON ANNOUNCED COMPLETION ROKG DRAFT LEGISLATION FOR NEW SOCIAL SECURITY SCHEME COVERING ABOUT ONE MILLION WAGE EARNERS. MAJOR SHORT TERM PURPOSE OF SCHEME IS TO GENERATE SAVING FOR ROKG CHEMICAL AND HEAVY INDUSTRIAL SCHEME. FOLLOWING CABINET REVIEW, BILL WILL BE PRESENTED TO NATIONAL ASSEMBLY. VOTE IS EXPECTED AT END OF OCTOBER WITH EFFECTIVE DATE OF LEGISLATION TO BE JANUARY 1, 1974.

2. PROGRAM WILL INITIALLY COVER WORKERS IN ENTERPRISES EMPLOYING THIRTY OR MORE PERSONS AND BY 1977 WILL BE EXTENDED TO ENTERPRISES WITH TEN OR MORE EMPLOYEES. WORKERS AND EMPLOYERS WILL EACH CONTRIBUTE FOUR PERCENT GROSS WAGES. EVENTUALLY, BENEFITS WILL BE FORTY PERCENT OF AVERAGE WAGES EARNED DURING LAST THREE YEARS, PAYABLE AT AGE SIXTY FOR MOST MEN AND AGE FIFTY-FIVE FOR WOMEN, SAILORS, AND MINERS. MINIMUM PERIOD OF CONTRIBUTION IS TWENTY YEARS. DISABILITY AND SURVIVERS' BENEFITS IN SCHEME COMPLEMENT SIMILAR BENEFITS INCLUDED IN WORKMEN'S COMPENSATION LAW. EMPLOYEES WITH MONTHLY WAGES OF WON 7,500 OR LESS ARE EXEMPT FROM CONTRIBUTIONS; THE UPPER LIMIT ON WHICH

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CONTRIBUTIONS WILL BE ASSESSED WILL BE

WON 150,000 PER MONTH. EMPLOYEES FIFTY-FIVE YEARS OR OLDER ON JANUARY 1, 1974 WILL BE EXCLUDED FROM PROGRAM.

3. PERSONS OVER 40 YEARS OF AGE WHO CONTRIBUTE FOR TEN OR MORE YEARS FROM INCEPTION OF SCHEME WILL RECEIVE PRORATED DIMINISHED PENSIONS AT RATE OF ABOUT TWO PERCENT PER YEAR OF CONTRIBUTION BASED ON LAST THREE YEARS EARNINGS. OTHERS WILL HAVE OWN AND EMPLOYERS' CONTRIBUTIONS REFUNDED UPON RETIREMENT WITH INTEREST RATE OF APPROXIMATELY THREE PERCENT PER YEAR. SELF-EMPLOYED CAN BE COVERED ON VOLUNTARY BASIS AT UNIFORM RATE OF WON 900 PER MONTH.

4. FIRST DISABILITY AND SURVIVERS BENEFITS WILL BE PAID IN THREE YEARS. FIRST PENSION PAYMENTS WILL BEGIN IN FIFTEEN YEARS, BUT A TWENTY YEAR COVERAGE WILL BE REQUIRED FOR FULL PENSION BENEFITS.

5. MINISTRY OF HEALTH AND SOCIAL AFFAIRS CHARGED WITH ADMINISTERING SCHEME AND OFFICE OF TAXATION WITH COLLECTING CONTRIBUTIONS. LARGE NET RECEIPTS EXPECTED THROUGH AT LEAST 1981, CONSTITUTING AN IMPORTANT SOURCE OF FINANCING FOR ROKG CHEMICAL AND HEAVY INDUSTRY DEVELOPMENT SCHEME.

6. MORE DETAILED ANALYSIS OF OBJECTIVES AND FINANCIAL ASPECTS OF SCHEME TO FOLLOW.  
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